

MEMO

DATE: April 14, 2005

TO: Community, Economic and Human Development Committee

FROM: Frank Wen, Senior Economist and Acting Leading Regional Planner, wen@scag.ca.gov, 213-236-1854

SUBJECT: Status Report re: 2007 RTP Growth Forecast: Recent Trends in Population and Employment and Implications for 2007 RTP Growth Forecast

SUMMARY AND BACKGROUND:

Community, Economic and Human Development Committee directed staff to proceed with the 2007 RTP growth forecast update process on February 3, 2005. Consistent with the timelines and tasks specified in the forecasting process flow chart, Community Development and Forecasting staff, with tremendous help from subregions, cities, and subregion coordinators, are undertaking the following three tasks concurrently.

1. Conduct survey of local jurisdictions regarding recent changes in general plan and developments that could affect the long term growth patterns envisioned in the 2004 RTP/Growth Vision policy forecast.
2. Review 2003 base year small area distribution of employment, population, and household.
3. Review recent trends in population, employment and household growth and assess their implications for 2007 RTP growth forecast.

This memo and accompanying presentation are focused on evaluating recent evidences regarding employment, population, and household growth at U.S., State, and regional levels, and assessing their implications on the 2007 RTP growth forecast update, with respect to the previously adopted 2004 RTP growth forecast. These recently available statistics include:

- State Employment Development Department (EDD), Labor Market Information Division's (LMID) March 2004 Benchmark revisions of county level employment statistics, released in March 2005.
- New U.S. employment projections between 2002 and 2012 provided by the Bureau of Labor Statistics (BLS), Department of Labor, released in February 2004.
- California population estimates and components of changes at county level for July 2004 by State Department of Finance (DOF), released in February 2005.
- The "*Interim Projections of the U.S. Population by Age, Sex, Race, and Hispanic Origin*," released by U.S. Census Bureau in March 2004.
- "*Population Projections by Race/Ethnicity for California and its Counties 2000-2050*" by California Department of Finance in May 2004.

Community Development and Forecasting staff analyzed and evaluated these newly released statistics/information, the findings and their implications are summarized as following:

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On the Job Front:

- 2004 RTP employment growth forecast understated actual SCAG region employment level in 2004 by 35,000 jobs, less than 0.5% of total regional jobs in 2004, or about 3% of projected total job growth between 2003 and 2010.
- The new BLS projection for U.S. job growth between 2002 and 2012 overstated the national job level by 3.15 million in 2004.
- Because SCAG region total jobs will be derived by applying its share (5.34% projected in 2012) of U.S. job on the adjusted U.S. total job projection, equivalent amount –5.34%—of projection error at U.S. level, or 168,200 jobs, could be reflected in the forthcoming regional job projection adjustment.
- Globalization and outsourcing of U.S. jobs is expected to continue to depress U.S. and SCAG region job growth in the near future

On the Population Front:

- Net domestic migration (2000-2004) is more than projected, could lead to either flat or upward adjustment
- Fertility rates (2000-2004) decline faster than projected, could lead to downward adjustment
- Mortality rates (2000-2004) decline faster than projected, could also lead to downward adjustment
- International Migration share of the U.S. (2000-2004) higher than projected, could lead to upward adjustment

On the Household and Housing Front:

- Housing construction activities have been strong recently, but population growth has been even stronger.
- SCAG Region persons per household in 2004 are more than projected.
- Headship Rates: downward adjustment and could lead to downward adjustment of households.

The next two major milestones of the 2007 RTP Growth Forecast Process are:

- May 2005: Draft 2007 RTP Growth Forecast Update of no-project forecast at region and county level.
- October 2005: Draft 2007 RTP Growth Forecast Update of no-project forecast at City/Small Area level.

Progress of 2007 RTP Growth Forecast Update:

Recent Trends in Employment, Population and
Households: Implications for 2007 RTP Growth
Forecast

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**Progress of 2007 RTP Growth
Forecast Update**

- Feb 2005 CEHD directed staff to proceed with the 2007 RTP growth forecast update process
- March 4, sent out 2003 base year population and household for local review
- March 10, sent out survey letter
- April 6, sent out 2003 base year employment based on 2000 CTPP distribution
- Concurrently evaluating recently released statistics on employment, population and household, assessing their implications

SCAG Employment Trend

Two newly available statistics

- EDD 2004 Benchmark Revisions.
- Department of Labor, Bureau of Labor Statistics projection of U.S. employment up to 2012.

EDD March 2004 Benchmark

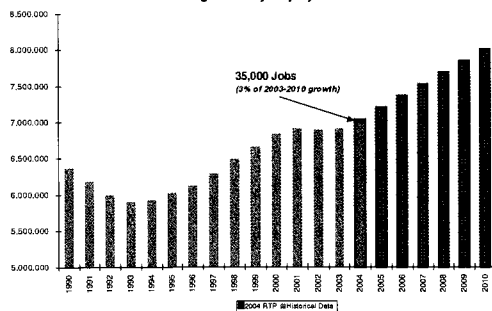
- California Employment Development Department (EDD) revises wage & salary employment estimates according to detailed tax records. Tax record data are used through March of previous year; therefore, the revision is referred to as the March Benchmark.
- On March 4, 2005, EDD released March 2004 Benchmark data

SCAG Region/Counties Jobs Growth 2000-2004

| | 2000 | 2004 | 2000-2004 | | 2004 Share |
|----------------|-------|-------|-----------|-------|------------|
| | | | Change | % | |
| Imperial | 51 | 52 | 1 | 2.0% | 1% |
| Los Angeles | 4,080 | 4,000 | -81 | -2.0% | 57% |
| Orange | 1,396 | 1,467 | 71 | 5.1% | 21% |
| Riverside | 467 | 555 | 88 | 18.9% | 8% |
| San Bernardino | 544 | 614 | 70 | 12.9% | 9% |
| Ventura | 294 | 306 | 11 | 3.8% | 4% |
| SCAG | 6,832 | 6,993 | 161 | 2.4% | 100% |

* unit: (jobs x 1,000)
* EDD wage & Salary jobs

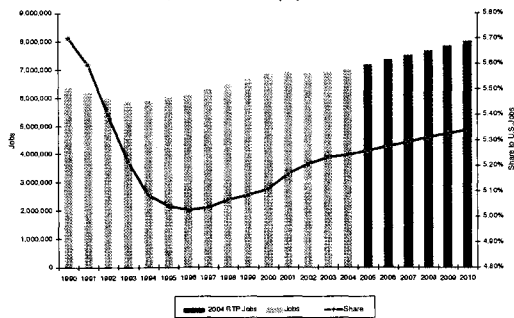
Updated Employment vs. 2004 RTP Projection - wage & salary employment



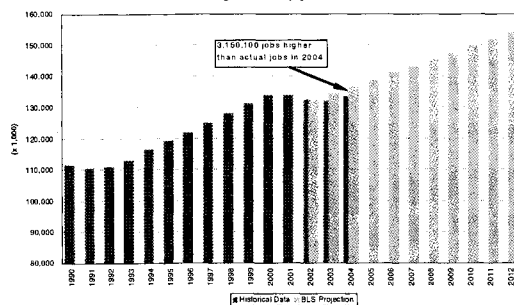
BLS 2012 Employment Projection

- On February 2004, US Bureau of Labor Statistics (BLS) released job projections for 2002-2012.
- The share of SCAG employment to the U.S. was 5.24% in 2004
- Based on 2004 RTP projection, 2010 SCAG employment is 5.34% of U.S. total

SCAG Region Wage & Salary Jobs 1990-2010
- Assumed 2004 RTP Employment for 2010



U.S. Employment Projection
- wage & salary jobs



Employment Trends: Findings

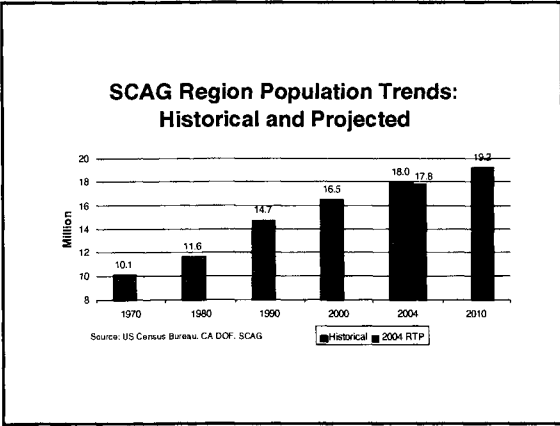
- Current projection was 35,000 jobs lower than actual employment level in 2004
- U.S. job projection by BLS was over 3.1 million higher than actual nation job level in 2004
- Globalization and outsourcing of U.S. jobs is expected to continue to depress U.S. and SCAG region job growth in the near future
- These all could lead to downward adjustment of 2004 RTP employment projection

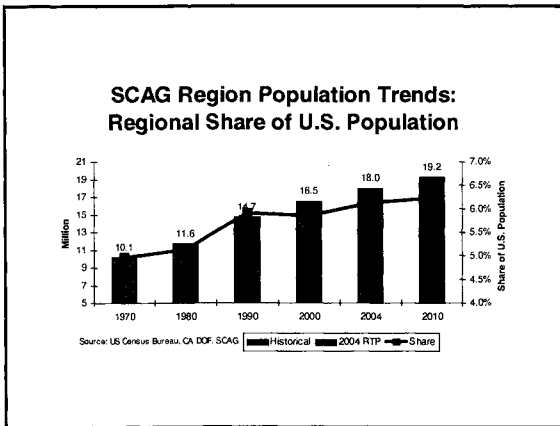
Recent Trends and Demographic Assumptions

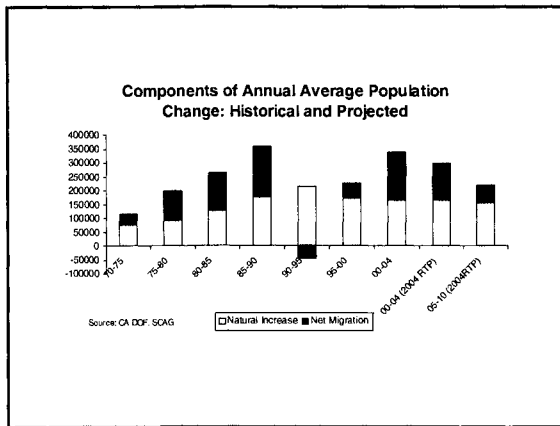
- Recent population, household, and housing estimates from DOF are available for July 2004.
- U.S. Census Bureau released "*Interim Projections of the U.S. Population by Age, Sex, Race, and Hispanic Origin*" in March 2004.
- California Department of Finance released "*Population Projections by Race/Ethnicity for California and its Counties 2000-2050*" in May 2004.

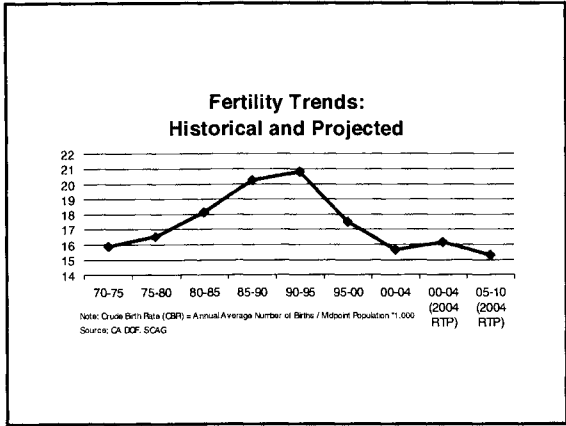
Population Projection Methodology

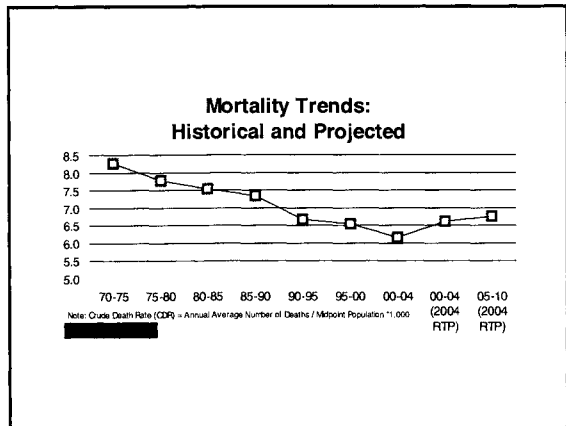
- Population Projection = f (births, deaths, migration, employment projection)
 - Births = f (regional trends, U.S. fertility assumption)
 - Deaths = f (regional trends, U.S. mortality assumption)
 - Migration = f (regional trends, regional employment projection, U.S. migration assumption)

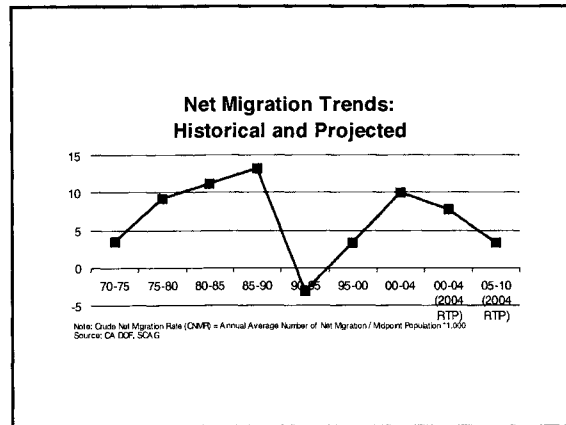


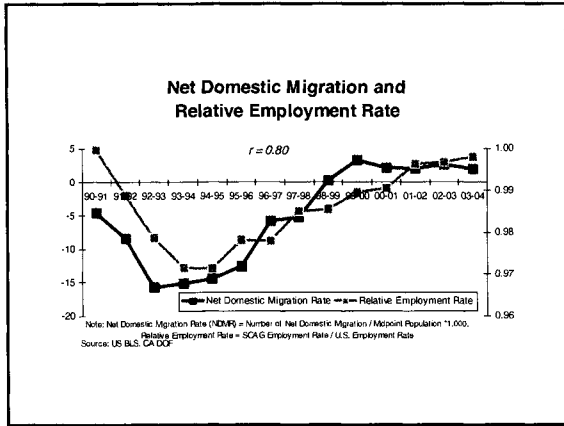


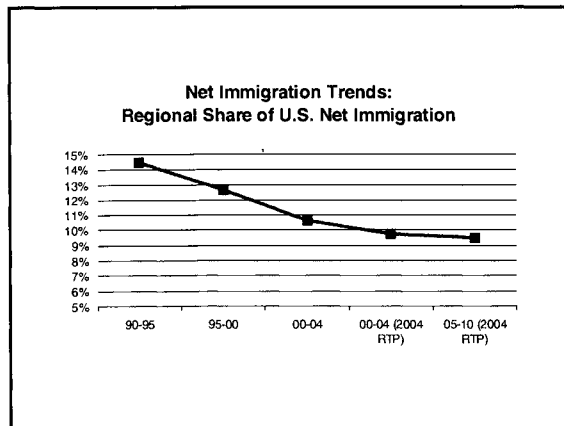












- ### Population Trends: Findings
- Net domestic migration (2000-2004) is more than projected.
 - Fertility rates (2000-2004) decline faster than projected.
 - Mortality rates (2000-2004) decline faster than projected.
 - Net Immigration share of the U.S. (2000-2004), higher than projected

Implications for SCAG Regional Demographic Assumptions Update

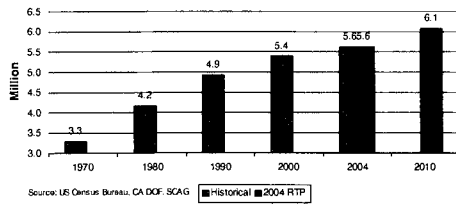
- Fertility: downward adjustment
- Mortality: downward adjustment
- Domestic Migration: to be determined.
- International Migration: upward adjustment

Household and Housing Trends

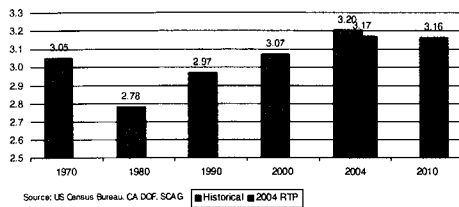
Methodology and Assumptions

- Headship Rate Method
 - Headship Rate = (household head / population)
for age, gender, and race/ethnicity
- 2003 Headship Rates by Age, Gender, and
Race/Ethnicity remain constant during the projection
horizon.

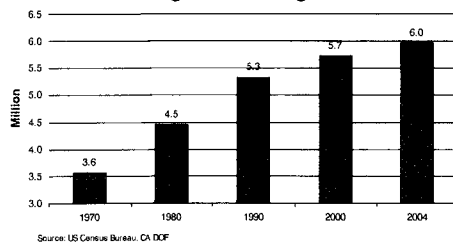
SCAG Region Household Trends: Historical and Projected



SCAG Region Persons Per Household: Historical and Projected



SCAG Region Housing Trends



**Implications for Regional
Household Projection**

- SCAG Region persons per household in 2004 are more than projected.
- Housing construction activities have been strong recently, but population growth growth have been more robust
- Headship Rates: downward adjustment.
